

Swine Enterprise Records
Necessary Evil or Essential Element?

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Changing Needs

Record keeping, an often-maligned and much-praised subject, has taken on new importance in recent years as the swine industry has been transformed from numerous small production units to fewer and larger operations. The average size of the large swine business has been doubling each five years. It is clear that this rapidly growing, capital-intensive, specialized sector of the U.S. swine industry has information needs completely different from smaller, traditional, diversified producers. Smaller units, however, will likely disappear or increase in size in the future, with a consequent increase in the need for timely and accurate management information.

Designing A System

When designing a swine enterprise record system, it is critical that the system not be over-designed, cumbersome, and discouraging. Fit the procedures, information-gathering mechanisms, and report preparation to the enterprise. Keep growth in mind, but don't buy or build a Mercedes when a Yugo will do. The system should have flexibility and capacity to grow as the operation changes and expands. An individual who does all the work, doesn't borrow money, and farrows 20 to 30 sows in spring and fall has need for little more than simple tax records. The manager and/or owner of a 1200-sow farrow-to-finish operation, on the other hand, needs a continually updated flow of detailed financial, production, and performance data for strategic and tactical planning. Remember, there is no free lunch. Record keeping costs money. A

prudent manager will not keep records that return less than they cost but will pay the cost of keeping records that will assure his/her lunch--profit.

Elements of a System

Records used by producers can be categorized as follows; each fits into an integrated management information system or can stand alone.

1. Tax and Financial Management
2. Cost of Production
3. Breeding Stock Selection and Culling
4. Inventory Control, Communication, and Scheduling
5. Production, Productivity, and Herd Health

Farmers, as a group, are not especially fond of keeping records, nor are they particularly good at it. In general, they keep little more than what is demanded by the IRS or their lenders. Consequently, most do not have adequate inventories, do not have the accuracy checks provided by formal accounting, and, worst of all, fail to reconcile net worth statements or develop income statements. Because of outside pressures, tax and lender needs tend to become the hub of most systems. However, if a producer wants to manage the swine enterprise for maximum profit, other information is necessary. Data permitting analysis of the factors affecting profitability become very important. Such data would include labor usage, pork produced, feed usage, rate of gain, capital accounts, and enterprise costs and returns, among other items.

Cost-of-production records serve as the primary tool for troubleshooting, evaluation, and planning. They provide basic information (costs and returns) necessary to determine enterprise profitability. Unlike tax and financial records, no one pressures a producer for cost-of-production or other management records. A producer must decide to keep these records. The decision will rest on the importance of knowing what it costs to produce pork. Gene pool

information, an important element of profitability, guides breeding and culling decisions. This information becomes available only as the operator invests time to keep and analyze breeding and production records. No single record can serve the needs of all producers. Seed stock producers, closed herd commercial producers, and farmers using a rotational crossing each have different information needs. Inventories are critical to many management responsibilities; among these are determining cost of production, preparing balance sheets, cash flows, profit and loss statements, monitoring drugs and other feed additives, and making productivity calculations. Communication and scheduling records are important to the large, specialized producing units using expensive facilities and hired labor. Effective capital and labor management become the driving force for records to plan and monitor production schedules. The value of communication and scheduling records is gone when the message is transferred and the schedule met. Therefore, the simpler the better. Profitability of the swine enterprise is important. Managing for profit requires goals, knowledge of enterprise performance (health, gain, production, feed efficiency, etc.), and standards for comparison.

Summary

Farm records repeatedly demonstrate wide variations in the profitability of swine enterprises. A summary of 1986 sow and litter records revealed a difference between the most and least profitable enterprises of more than \$50 in return per \$100 of feed fed and identified the reasons for the differences. A 100-sow farrow-to-finish operation might have a \$60,000 annual feed bill. The above-mentioned \$50 differential in returns above feed cost could mean \$30,000 in profit. Without a good record system, opportunities of this magnitude are often missed. Good records, designed to meet management needs and effectively used, can be a profitable enterprise in and of itself.